monopoly the public and the workers are fully justified in being suspicious and examining the source from which high dividends are produced.

Such being the reason why this outburst of capitalisation of reserves first began—since in these days all capitalists and those who have to manage capital feel that they are working under criticism, which is not only jealous and suspicious (as it should be), but is also too often both ignorant and prejudiced—it is interesting to note that the movement which was so started has been stimulated by its very exhilarating effect on the market in the shares of the companies concerned. Why this should be so it is difficult at first sight to say. What happens is merely this—that a company, let us suppose, for the sake of simplicity, with a capital consisting wholly of 3,000,000 Ordinary shares, has accumulated out of past profits, or out of premiums on new issues of shares, a reserve fund of £1,000,000. Its net profit has lately averaged £400,000, and it has, year by year, distributed £300,000 in the shape of a 10 per cent. dividend to its shareholders, and put £100,000 into its reserve fund, which is represented on the other side of the balance-sheet by buildings and plant and a certain amount of first-class investments. If the directors now decide to capitalise that £1,000,000 of reserve fund, the only

effect is that each shareholder will He given one new share for every three which he holds in the existing capital, the reserve fund will be wiped out, and the ordinary capital will be increased from £3,000,000 to £4,000,000, None of the shareholders will be in